

## Message Text

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E.O. 11652: GDS

TAGS: PINT, BL

SUBJECT: BANZER UNDERLINES HIS REQUEST FOR FINANCIAL HELP  
FROM THE US

1. SUMMARY. PRESIDENT BANZER ASKED ME TO COME BY LAST EVENING (FEBRUARY 21) TO PUT SOME URGENCY INTO HIS REQUEST FOR FINANCIAL ASSISTANCE FROM THE US. HE WAS CONCERNED ABOUT COUP PLOTTING AND THE FAR LEFT'S EFFORT TO ORGANIZE A GENERAL STRIKE THIS SPRING OVER WAGE DEMANDS. TO DEAL WITH THE POLITICAL/ECONOMIC THREAT TO ELECTION PLANS, BANZER SAID, HE NEEDED AN ADDITIONAL \$50 MILLION IN FINANCING SO THAT HE COULD PUT FORWARD A BUDGET THAT COULD MEET REASONABLE WAGE INCREASES AND SUSTAIN A MODEST LEVEL OF PUBLIC SECTOR INVESTMENT. I TOLD BANZER WE WERE CONSIDERING HOW WE COULD BE HELPFUL, BUT OUR POSSIBILITIES WERE LARGELY CONFINED TO LONGER-RUN DEVELOPMENT FINANCING. I SUGGESTED THAT THE MOST READILY AVAILABLE WAY TO MEET HIS LIQUIDITY PROBLEM SEEMED TO BE A COMMERCIAL BANK LOAN NOW IN ANTICIPATION OF OFFICIAL FINANCING, MAINLY FROM THE IMF, THAT BOLIVIA WAS CLEARLY GOING TO NEED AND SEEK AFTER JULY ELECTIONS. BANZER SAID IT WOULD PAIN HIM TO MORTGAGE THE PROSPECTS OF THE ELECTED GOVERNMENT. END SUMMARY.

2. BANZER SAID HE KNEW I WAS LEAVING FOR WASHINGTON AND WANTED ME TO UNDERLINE THE MAIN POINT OF HIS LETTER TO PRESIDENT  
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CARTER--THAT DEMOCRATIC BOLIVIA NEEDED INCREASED ECONOMIC COOPERATION FROM THE UNITED STATES.

3. THE BACKDROP, HE SAID, WAS THE CURRENT POLITICAL SITUATION ABOUT WHICH HE QUIETLY, BUT WITH SOME EXASPERATION, EXPRESSED MORE CONCERN THAN I HAVE HEARD FROM HIM SINCE THE HUNGER STRIKE. FIRST, HE SAID, HE WAS WELL AWARE THAT SOME

POLITICAL, AND REGRETTABLY SOME MILITARY FIGURES WERE THINKING OF A COUP. HE FELT THAT THESE WERE A SMALL MINORITY TRYING TO SWIM AGAINST THE TIDE OF BOLIVIAN HISTORY AND THAT THE MASS OF THE MILITARY SUPPORTED ELECTIONS AND WOULD NOT TOLERATE A COUP. YET THESE PLOTTERS WERE A CROSS TO BEAR. SECOND, HE SAID, THE FAR LEFT PARTIES WERE BUSY ORGANIZING A GENERAL STRIKE FOR APRIL OR MAY. THE CAUSE WOULD BE WAGE DEMANDS, BUT THE OBJECTIVES WAS TO FORCE CANCELLATION OF ELECTIONS. THIS THREAT WAS MORE DISTRUBING, BANZER SAID, BECAUSE THE DISARRAY OF A GENERAL STRIKE COULD CHANGE THE MILITARY'S POSITION, PROMPTING THEM TO DEMAND THAT BANZER POSTPONE ELECTIONS. BANZER SAID IN THIS SITUATION HE WOULD RATHER RESIGN THAN CANCEL ELECTIONS BUT HE WOULD NO LONGER BE IN CONTROL OF THE SITUATION.(BANZER SEEMS TO HAVE A CLEAR PICTURE OF HOW SOME OF THE ANTI-ELECTION FORCES WOULD LIKE TO SEE THE SITUATION EVOLVE, INCLUDING BANZER'S BEING FORCED TO STEP DOWN BY A GROUP OR JUNTA WHICH WOULD THEN POSTPONE ELECTIONS.)

4. BANZER ASKED ME HOW I WOULD DEAL WITH THIS SITUATION. I TOLD HIM THAT ONE OF THE THINGS THAT WOULD HELP KEEP THE PLOTTERS IN THE BARRACKS WAS AN ACTIVE, AGGRESSIVE ELECTION CAMPAIGN, PARTICULARLY BY GENERAL PEREDA, AND THIS NOW SEEMED TO BE HAPPENING. REGARDING WAGE DEMANDS, I ASSUMED THE GOVERNMENT WOULD NOT LET THE SITUATION FESTER, BUT RATHER ENTER INTO CONFIDENTIAL

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GOOD-FAITH NEGOTIATIONS WITH KEY GROUPS OF PUBLIC SECTOR EMPLOYEES, ONE BY ONE, TO SET A PATTERN OF GRANTING SOME REASONABLE WAGE DEMANDS AND HAVING OTHERS UNDER NEGOTIATION, BEFORE ANY CONFRONTATION POINT WAS REACHED.

5. BANZER SAID HE INTENDED TO DEAL WITH WAGE DEMANDS IN THIS WAY BUT EVEN ASSUMING CONSIDERABLE GOVERNMENT SUCCESS IN THE NEGOTIATIONS AND AUSTERITY IN PUBLIC SECTOR INVESTMENT, HE WAS \$50 MILLION SHORT IN FINANCING HIS BUDGET. OBVIOUSLY, HE WAS NOT GOING TO ASK FOR EXTERNAL SUPPORT TO PAY SALARIES, BUT HE HOPED THE USG COULD HELP IN SOME WAY, PERHAPS THROUGH FINANCING FOR SOME PUBLIC SECTOR INVESTMENT PROJECTS.

6. I SAID WE WERE WELL AWARE THAT BOLIVIA WAS GOING TO HAVE DIFFICULTY IN THE PERIOD AHEAD FINANCING AN ADEQUATE LEVEL OF INVESTMENT. FOR THIS REASON, WE WERE CONSIDERING A BOLIVIAN REQUEST FOR A LARGE, MULTI-YEAR PL-480 PROGRAM TO FINANCE INCREASED INVESTMENT IN AREAS OF RURAL POVERTY. I SAID I WOULD ALSO BE WILLING TO GET TOGETHER WITH THE MINISTERS OF FINANCE AND PLANNING TO SEE WHAT GOB INVESTMENT PROJECTS MIGHT BE OF INTEREST TO EXIM BANK.

7. BANZER SAID HE HAD FOLLOWED THE PL-480 REQUEST CLOSELY AND CONSIDERED THAT THIS SIZEABLE MULTI-YEAR PROGRAM WOULD BE "MAGNIFICENT" SUPPORT FOR THE DEVELOPMENT PROGRAM OF THE ELECTED GOVERNMENT. THIS WAS ONE OF THE MOST ENCOURAGING SIGNS ON THE ECONOMIC HORIZON FOR BOLIVIA. BUT HIS LIQUIDITY PROBLEM REMAINED.

8. I MENTIONED THAT THE IMF WAS THERE TO DEAL WITH THIS KIND OF PROBLEM (IMPOSSIBLE BEFORE ELECTIONS, BANZER INJECTED). AND IF A STAND-BY HAD TO BE DELAYED UNTIL AFTER ELECTIONS, ONE POSSIBILITY WOULD BE TO BORROW \$50 MILLION FROM COMMERCIAL BANKS, PARTLY ANTICIPATING THE INCREASED AVAILABILITY OF IMF FINANCING LATER. THIS WAS NOT IDEAL, BUT FEASIBLE. BANZER SAID HIS FINANCE MINISTER HAD SUGGESTED THIS BUT HE HATED TO CONFIDENTIAL

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DO IT. IT WAS NOT THE WAY A LAME DUCK GOVERNMENT SHOULD TREAT ITS SUCCESSOR. HE ASKED WHETHER HE SHOULD SEND THE MINISTER OF PLANNING TO WASHINGTON TO PUSH HIS REQUEST. I DISCOURAGED THIS.

9. I SAID HE HAD ASKED US TO CONSIDER WHAT WE COULD DO AND WE WOULD DO THAT. HE SHOULD WAIT FOR OUR FURTHER RESPONSE BEFORE DECIDING WHETHER IT WAS WORTHWHILE TO SEND SOMEONE TO WASHINGTON. I WARNED HIM AGAIN THAT OUR POSSIBILITIES WERE LONGER-TERM ONES AND THAT HE OUGHT TO RECONSIDER MEETING HIS NEAR-TERM LIQUIDITY PROBLEM WITH A COMMERCIAL BANK LOAN, EVEN IF THIS WERE AN IMPERFECT SOLUTION.  
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## Message Attributes

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